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BOSTON CITY COUNCILOR AT-LARGE

Testimony of Sam Yoon
To the International Trade Commission
Re: Investigation No. 731-TA-1123, Steel Wire Garment Hangers from China
July 31, 2008

I am speaking this morning on behalf of the approximately 30,000 dry cleaners who will be impacted by your decision.

Almost half of these small businesses are owned by Korean-Americans.

I happen to be a Korean American, but my testimony today applies to all dry cleaning businesses in this country.

It also just so happens that Korean member-serving dry cleaning associations have been organizing around this issue, knowing full well that the benefit of their work will be shared by the entire dry cleaning community, Korean or otherwise.

This issue is obviously critically important to their economic future. This is why they came – from all over the country – to be here today.

The reason why they took the time to be here hangs on a finding from your very own preliminary investigation. ITC's investigators found that 85% of steel wire garment hangers are used by one single consumer class – by dry cleaners.

In that sense, I suggest that the product that is the subject of this hearing, is unique and warrants special consideration.

Dry cleaners, as you probably know from your own experience, are typically small, very often family-owned businesses.

Later during this hearing you will hear from some dry cleaners themselves, from Lawrence Lim, et. al.

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They will characterize the dry cleaning business community in some more detail.

But the typical dry cleaner operation is a husband and wife team, very often immigrant, often Asian or Korean-American. They work 12 hour days. They work 6 sometimes 7 days a week. They are US citizens who pay their taxes and contribute to their communities.

For the most part, they are not wealthy. The typical dry cleaner works very hard to make a modest living.

As the ITC study noted, there is very little that a dry cleaner can do about increases in the price of a box of hangers.

There are no good substitutes. They cannot cut back on volume, because wire hangers are directly related to their end product. The end product in the dry cleaning business is the customer's clothes, and clothes have to come back to you on a wire hanger.

Cutting back on hangers would mean cutting back on their business. Many dry cleaners ask their customers to recycle their wire hangers. This, however, has had minimal impact on customer behavior.

In the end, dry cleaners are extremely reluctant to pass on cost increases to their customers. The dry cleaning business is very competitive, with low margins.

Just as consumers are changing their behavior to adjust to the price of gasoline, even food, dry cleaners are fearful of losing customers by raising prices.

This means only one thing: dry cleaners have no choice but to pay more for hangers. Their pockets will get significantly lighter, just as the price of everything else goes up.

What will the economic impact be?

For simplicity's sake, let's look at what's been happening to dry cleaners in my state, Massachusetts, over the last six months.

In anticipation of a duty on wire hangers, supply has gone down, prices have gone up.

A box of shirt hangers was about \$17/box. Now it's over \$30. A box of pants hangers was \$26/box. Now it's over \$50.

On this basis, the average cleaner is expecting to lose \$7,000 this year, about 10% of their net income.

If a duty on wire hangers were to have a similar effect on every dry cleaning business across the country, the total economic impact would approach \$250 million per year. A quarter billion dollars less in the pockets of hard-working, taxpaying families.

What will be the impact on employment?

The typical mom and pop cleaner in Massachusetts, and this probably true elsewhere in the country, will hire 1 or 2 other workers. These are typically entry-level jobs, to help with pressing clothes or bagging clothes.

These jobs will be gone. This is already evident in Massachusetts.

If half of the dry cleaners across the country are affected in this way, the impact would be in the order of tens of thousands of jobs.

I acknowledge that as Commissioners your enabling legislation requires you to base your decision on the impact of foreign producers on the domestic producers for this commodity.

In other words, what you're looking for is whether or not there is "material impact."

I and many others are here to tell you that there will be a very tangible adverse material impact on tens of thousands of small family-owned business across this country as a result of a price hike on wire hangers.

So I respectfully ask the Commission to take this into account, to listen carefully to the testimony of my colleagues, and keep in mind who it is that will be bearing the burden of the remedy you will be deciding upon shortly.

Thank you.